THE STOP & SHOP COMPANIES ANNUAL REPORT 1970

"Now that public expectations are exploding in all directions, we can no longer regard profit and service to society as separate and competing goals . . . we should start thinking about changes in public values as opportunities to profit by serving new demands . . . The successful companies will . . . anticipate what their customers, employees and other publics will want in the future instead of giving them what they wanted in the past . . . they . . . will be managed by innovators and entrepreneurs, and not merely routine administrators. These are the companies that will earn the highest profits for stockholders, by discharging their highest responsibilities to society."

–Henry Ford II

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COMPARATIVE HIGHLIGHTS

	52 Weeks Ended	
	January 30, 1971	January 31, 1970
Sales	$789,949,863	$720,477,623
Earnings:		
Before taxes on income	10,052,357	14,122,910
After taxes on income	5,637,456	7,445,250
Reinvested in the business	2,818,911	4,691,340
% of net operating earnings to sales	0.71%	1.03%
Per share of common stock based on average number of shares outstanding during the year	1.80	2.40
Cash dividends paid	2,818,545	2,753,910
Cash dividends per share of common stock	.90	.90
Current assets	91,899,947	87,262,701
Current liabilities	41,841,307	54,294,188
Working capital	50,058,640	32,968,513
Current ratio	2.20	1.61
Shareholders' equity	62,149,810	59,251,030
Stop & Shop Supermarkets in operation at year end	149	139
Bradlees Department Stores in operation at year end	51	50
Medi Mart Drug Stores in operation at year end	13	6
Perkins Tobacco Shops in operation at year end	28	21
FunStop Leisure Time Store in operation at year end	1	—

LETTER TO SHAREHOLDERS

As this past fiscal year began, we made a decision fundamental to the future of The Stop & Shop Companies: to maintain the share of market and established sales growth of our Supermarket Division, in the face of severe distribution problems resulting from the 1969 loss by fire of our major grocery distribution center.

This determination was made at a time when the costs of doing business, and most importantly the wholesale cost of food, were rising steadily.

To maintain our market penetration, and to meet the aggressive competition within our operating area, we moved very slowly in reflecting these cost increases in our retail price structure.

Our efforts, which we have continued into this present fiscal year, are reflected in a sales increase of some 9.6 per cent, from $720,478,000 to $789,950,000. However, net operating profits dropped from $7,445,000 to $5,638,000; and earnings per common share were $1.80, compared to $2.40 a year ago.

Net Sales:	1970	1969
Stop & Shop Supermarkets	$603,662,000	$553,046,000
Bradlees Department Stores, exclusive of licensees' sales	$169,592,000	$158,745,000
Medi Mart Drug Stores, Charles B. Perkins Tobacco Shops and FunStop Toy Store	$ 16,696,000	$ 8,687,000
Total:	$789,950,000	$720,478,000

Supermarket Division earnings were down for several additional reasons: in April, a state-wide strike closed our 14 Rhode Island supermarkets for five-and-one-half weeks – the first such strike in our 56 year history. Our mechanized North Haven, Conn. grocery distribution center experienced opening and development expenses inherent in any such unique facility, and additional costs from occasional breakdowns caused by more than double the expected distribution demands. These expenses were charged to current earnings.

During 1970 we completed the largest single year expansion program in our history, with the openings of 16 Stop & Shop supermarkets, seven Medi Mart drug stores, seven Perkins Tobacco Shops, one Bradlees department store and our first FunStop toy and leisure products store. Pre-opening and opening expenses are charged to current earnings.

Major expansion and remodeling were completed on four supermarkets and one department store.

On March 1, 1971, the Supermarket Division's rebuilt dry grocery distribution center in Readville began limited operations. Initially Readville has been used to take the extraordinary pressure off our North Haven facility, to vacate temporary leased warehouse space in E. Hartford, and to allow us to service all 149 supermarkets with more efficiency. By year end we expect to establish an efficient, balanced distribution flow to and from both facilities.

During 1970 substantial payment was received on account of insurance claims arising from the Readville property loss and subsequent business interruption. The 1969 and 1970 earnings reported herein reflect management's estimate of insurance amounts recoverable for each of these periods. (See footnote 5, financial statements.)

Our growth effort, balanced throughout our major retailing and support divisions, continues on schedule. To augment internally generated funds in financing our store expansion program, we completed the refinancing of our existing long term straight debt this past December, by taking down the additional $18.7 million contracted for in April 1970 from The Prudential Insurance Company of America. We now have outstanding $44.8 million of 7.6% Notes due serially through August 5,1989.

We were in a favorable liquid position at year-end, with working capital of $50.1 million. Our current assets totaled $91.9 million and current liabilities $41.8 million; a ratio of 2.20 to 1. In addition we have substantial lines of credit with major commercial banks in Massachusetts, Connecticut and New Jersey available for short-term borrowings, which strengthen this healthy position.

March 17, 1971 was a significant day for Bradlees – new store opening day in South Fall River, Mass. Larger and more dramatically merchandised than its predecessors, it is the prototype of the quality and fashion-oriented Bradlees stores we expect to build during the seventies. Major enlargements were made to our Brockton, Mass. and Derby, Conn. Bradlees, and they reopened on this same day.

Since the end of the fiscal year and through July of this year, we will have opened supermarkets in South Fall River, Gardner, and Marlboro, Mass.; Branford, Waterford and Naugutuck, Conn., and Garwood, N. J. Medi Mart Drug Stores will have opened in Branford and Waterford, Conn., and Garwood, N. J.

We expect to open Medi Marts in Roslindale and Marlboro, Mass. later this year.

Our venture into the toy-sporting goods-leisure time market was successfully launched in West Springfield, Mass., in September of last year. FunStop's experience to date has been

1. Sidney R. Rabb, Chairman of the Board

2. Irving W. Rabb, Vice Chairman of the Board

3. Donald A. Gannon, President

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satisfactory; two additional FunStop's are now in planning stages.

Our Perkins Tobacco Company has prospered in its first full year as one of The Stop & Shop Companies. During 1970, the Division added seven self-standing stores or full service departments within Bradlees stores, and since the end of the fiscal year through mid-1971 Perkins units have been constructed or planned for South Fall River and Worcester, Mass., and Portland, Me.

The crippling of our food distribution facilities, increasing business pressures, and social changes – rising personal aspirations, the desire to be heard, to get involved – struck a spark which stimulated one of the most basic operational changes in our history. In 1970, we altered our store management philosophies completely, to place far greater autonomy in the hands of our store management people. Responsibility will bring immediate action to implement merchandising, operational, promotional and consumer programs. It will also bring pride – the intangible reward of being a professional – backed solidly with the support of the Company's latest advances in computerized information, warehousing and distribution efficiencies.

As lines of communications are shortened, and as the sometimes insulating effect of supervisory levels is reduced, the manager, closest to the consumer and most sensitive to his competitors, will be freer to respond, to suggest, and to act on his own.

Our efforts in providing avenues for employees' personal development elsewhere continued as well. We encouraged, through tuition refund and subsidization, courses at Hickox Secretarial School, Dial for Help Comptometer School, Cornell Home Study, and numerous university and graduate school level degree courses.

Within the Supermarket, Bradlees, Medi Mart, FunStop, Warehousing and Manufacturing areas courses ranged from first line supervisory management responsibilities through upper level management technique programs.

For our growing number of retail outlets our broad, nine-month Management Development program continued to provide us with a cadre of qualified managers.

Community relations and involvement are vital to a retailing firm; to this end we again presented 12 scholarships to deserving students during the year.

Our participation in the federal government MA-3 program, which provided on-the-job training for the economically disadvantaged, provided job opportunities in Warehousing, Manufacturing, Store Operations, office clerical and other areas of the Company.

Several key executives advanced to new positions during the year. Vice President Richard F. Spears, with Stop & Shop since 1938, assumed leadership of the Supermarket Division; and Anast W. Giokas, after directing initial phases of our FunStop venture, advanced to Vice President, Sales, Supermarket Division.

Within our Bradlees Division, Robert Harrow and Richard Shuman were promoted to Vice Presidents for Store Management and Sales Promotion, respectively. Since the end of the fiscal year Mrs. Sylvia P. Shaine was named Vice President and General Merchandising Manager; and Raymond Doyle, Vice President and Merchandise Controller.

In addition, Paul C. Kelly was named Vice President, Administration; Vice President of Technical Services Joseph L. Riemer, Jr. assumed new responsibilities in Warehousing and Transportation; Arthur S. Robbins advanced to Assistant Financial Vice President; Anthony McAlear became General Manager for the FunStop Division; and William Tully was appointed Director of Manufacturing Operations.

Construction continued on our major new meat processing facility in Marlboro, Mass., and we expect to begin initial meat preparation and distribution by year end.

In sum, although this report of our financial performance reflects lower earnings, it also reflects our recognition that economic and social pressures *can be faced by people who are capable of creating constructive change.* This report portrays a year of adjustment, to be sure; it also portrays a year of new directions . . . innovative programs to give insights to today's questioning consumer . . . and steady expansion.

We have learned much from the Readville loss: that, in the last analysis, our confidence is better placed in individuals than in technology . . . in the dynamic interaction of talented people in flexible, challenging assignments, rather than in a formal, static line organization. And from our outspoken, plainspoken customers we have learned to judge studies of tomorrow's consumerism directions with a deeper, more human level of understanding.

As we gain new economies from our leaner, tighter organization, and as we see our costs returning closer to normal month to month, we expect to regain our accustomed efficiency by the end of this current year.

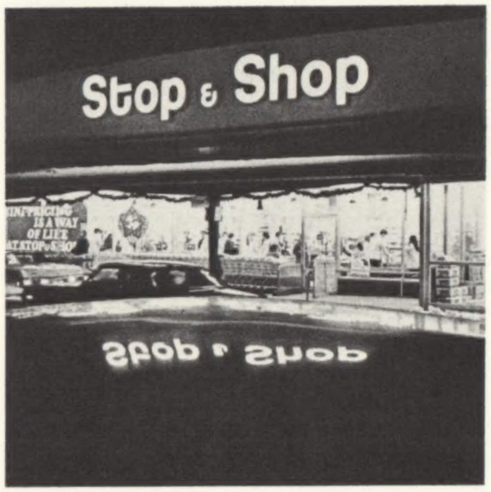
Sidney R. Rabb

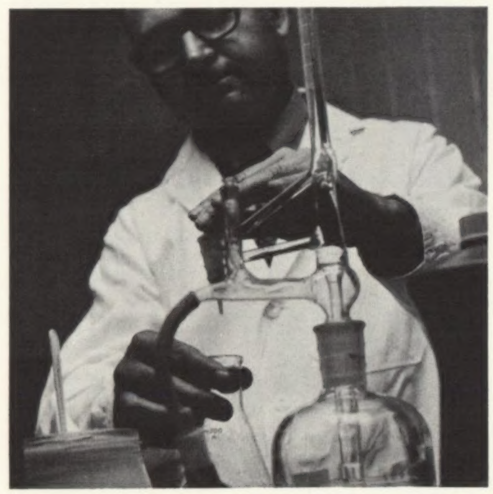
Chairman of the Board

Donald A. Gannon

President

STOP & SHOP





The Stop & Shop Companies' supermarkets – 56 years old, and growing younger!

New stores opened, 1970: Woodbridge, N.J., February; Darien, Conn., March; Enfield, Conn., March; Nashua, N.H., April; East Brunswick, N.J., May; South Yarmouth, Mass., May; Chatham, Mass., May; Hillsdale, N.J., June; Milford, Mass., June; Pawtucket, R.I., June; Neptune City, N.J., June; West Caldwell, N.J., August; West Orange, N.J., September; Paramus, N.J., September; Meriden, Conn., October; Wayne/Singac, N.J., October.

Major stores remodeled, 1970: Pittsfield, Mass., July; East Providence, R.I., September; Quincy, Mass., November; and Fall River, Mass., January.

Average age, 150 stores: 6 years.

Though already well established as a champion of the consumer, in 1970 the oldest of The Stop & Shop Companies intensified its efforts to provide intelligent shopping guidance for millions, in a year of strained family budgets and rising prices.

The Supermarket Division's major plans during the past year were influenced by: growing public concern with the problems of pollution; increasing public and governmental interest in sanitation in food processing and at store level; the shopper's need for recognizing price per unit more clearly in an era of rising prices, and related issues.

Eighty of the Division's 150 food stores were equipped with compaction units. These 350 square foot machines, which adjoin the stores' back rooms, compress solid wastes (i.e., cardboard, wood) to one-sixth of their original bulk. Compaction eliminates the polluting effects of burning, and makes it possible to recycle cardboard. Result: valuable land fill area is preserved, and our forests are protected from unnecessary consumption.

During the year, store sanitation standards were upgraded with the introduction of a more intensive cleaning program. All stores were placed under more rigorous sanitation standards, i.e., wooden meat cutting benches and knife handles are being replaced with non-porous, easier to clean white plastic; cleaning cloths are being replaced with white nylon brushes; and each store now has a mobile, high pressure, hot water spray machine that cleans *and sanitizes* all refrigerated display cases and work areas. Most importantly, employees now receive training in sanitation, bacteriology, and their key role in preserving freshness and nutritional value in the foods they sell.

Speed and greater efficiency were also the objectives in a planned effort to modernize the check-out registers – traditional traffic bottleneck in all supermarkets. In addition to an intensive campaign to improve speed, courtesy, and accuracy at point-of-purchase, the Division continues researching automated checking and bagging. The purpose: computerized reading of prices, tabulation of grocery bills, and bagging, once developed enough to become economical on a widespread basis, will eventually reduce costs and increase inventory and re-stocking efficiency.

Unit pricing – the marking of cost per pound, ounce, or item – was introduced early in 1970. By late November, in all seven states where the Company operates, the Supermarket Division had unit-priced more than 4600 items in each of its stores. The cost, thanks to integration with existing computerized systems, is minimal.

Freshness code guides – booklets deciphering coded meat, dairy and bakery perishability dates – were made public in mid-1970. This was the first such move by any supermarket chain in New England.

1970 also saw a general improvement in the often tedious chore of price marking. The aim – legibility, convenience, greater shopping ease for the average consumer. Pre-printed labels applied with a special gun were used on such hard-to-mark items as candy, dairy products, and health and beauty aids. New price marking equipment was introduced for marking freezer case merchandise, and the Division's many varieties of canned foods.

The Supermarket Division became a participant in the USDA's Food Stamp Program during 1970. In another move to help limited-income families eat well, the Company introduced a "Consumer Hotline" at the start of the current fiscal year. This pre-recorded telephone message, changed twice weekly, tells consumers what's in season, what items are on sale each week, and which economy foods have roughly the same nutritional value as more expensive ones. Recipes and menus providing top nutritional value for a minimum of money are also given.

Work was completed on another unique consumer-oriented program in 1970 – listing caloric content on labels of all of the Division's "private label" canned vegetables, fruits and beverages. This, another "first," has received favorable response from customers and consumer groups.

Not the least of 1970 developments was a major effort to streamline the organizational structure from top management to store level (see "Today's Store Manager," page eight).

In sum, 1970 presented management with a unique challenge: that of holding on to its established share of market, without the benefits of a formal distribution system. That this was accomplished is reflected in the 1970 sales volume statistics listed elsewhere in this report. That it was accomplished at serious operational and merchandising costs is also reflected.

It can be fairly reported that a year of serious operating strain is largely past; and that a long and testing period at store level, of stamina, pride and professionalism, has given greater substance than ever to management's conviction of being associated with the finest group of men and women in the supermarket industry today.

BRADLEES

Bradlees had one overriding 1970 goal; improve profitability from existing stores. The nine-year-old, 52-store division cut back on expansion plans, opened just one major new store in Enfield, Conn., and buckled down to streamlining its merchandising, distribution, and line organization. In his year-end summation, President Robert J. Futoran reports that major goals were met or exceeded.

Sylvia P. Shaine, a former executive with the Frederick Atkins Co., New York, joined the Company in June as General Merchandise Manager for women's apparel and accessories. Under her direction, Bradlees has strengthened its fashion image.

The practice of carrying seasonal merchandise from one year to the next, reports Futoran, was eliminated. This contributed to a substantial reduction in inventory at year's end.

To strengthen dramatically store manager participation in top management decisions, Bradlees divided its total area of operation into eight major "markets" during 1970. To insure orderly growth and continuity for all sales efforts, Bradlees established an overall five year merchandising plan: Each of the eight market managers decides what discrepancies there are between existing and potential store profits and share of market in his area of supervision. Market managers then recommend the means by which their stores can reach their full potential within the next five years.

Brand name merchandise and the development of Bradlees' top quality, private label lines were emphasized in 1970. In addition to weeding out less well known brands from its inventory, Bradlees stocked an increasing number of recognized small appliances such as televisions, radios and tape recorders.

The planned effort to upgrade merchandise showed positive results, reports Futoran. Sales volume for Bradlees (including licensees' sales) reached $190 million last year, an all time high.

From this solid footing Bradlees has moved ahead aggressively, with an all-new, largest-Bradlees-ever in South Fall River, Mass. – model for other Bradlees stores to be constructed during the next few years. Key points include entirely new product groupings, new traffic flow, and a store layout that clearly expresses Bradlees merchandising philosophy.

Major remodelings of several existing stores are scheduled for this year, and are expected to follow the new Fall River prototype. Three new stores scheduled to open in fall of 1971 will be built along the same lines.

During 1971, the Company expects to add 200,000 sq. ft. to its Braintree warehouse, to meet rising sales demands and more effectively service larger stores planned for the next few years.

An expanded New York office was opened in 1970, to house the sportswear, junior apparel, dresses and coats, and buying staff.

For Bradlees, it was a good year. Fiscal 1971 should see even better sales, profitability, and visibility for a major, quality-oriented New England-New Jersey retailer.


GIRLS
SPORTSWEAR
WOMENS

TODAY'S STORE MANAGER

In 1970 the Company's two largest divisions made major changes in their line organizations.

The focus: Stop & Shop and Bradlees store managers. The intent: to create a level of independence, responsibility and "entrepreneurship" never before realized. The method: remove intermediate levels of control and supervision between the store manager and headquarters; and broaden store level management proficiency with new, in-depth training procedures.

The programs were developed and inaugurated during the latter half of 1970. Starting with the new year, all supermarkets and Bradlees began to operate under the new guidelines. Refinements are continuing.

Several managers in each division have been operating under the new system, for several months. Two of these are Edwin "Bud" Whitman, Manager of Bradlees' Somerville, Mass. store; and Ernie Robertson, Manager of the Brockton, Mass. Stop & Shop. Here they explain the benefits, and problems, as they see them.

Bud Whitman – age 47, father of eight, grandfather of one; a World War Two bomber pilot whose recollections go right back to the pre-war corner grocery stores of Stop & Shop, where he began his career in 1940. Also an energetic, fast moving, take charge manager, right on top of today's mercantile business; a Boston College graduate who since 1965, when he switched to Bradlees, has been managing stores and "trouble shooting" in new marketing areas.

"This store," he relates, "had just the right characteristics for a trial run giving a store virtually complete autonomy. Somerville has a middle and low-middle income level. We've been here more than five years, and we have a good steady customer flow. No

other advantages – in fact this is one of Bradlees' older, smaller stores, with dated fixtures. If a self-run store could work here, it could work elsewhere."

It's working. Bud coordinated efforts with his sales and department managers; together they set about to run the most effective store possible. Decisions formerly made by district managers, sales managers and field merchandisers were divided between one overall Market Manager and Bud Whitman.

Specifically, he and his people now had complete responsibility for payrolls, upcoming budgets, decisions on ordering quantities of most merchandise; planning seasonal promotional campaigns and related advertising strategies; and a major role in deciding on pricing structures.

"What was demanded of each of us," he says, "was a higher level of awareness – of other departments, of the local unemployment situation, of what our competition right down the street was stressing."

A good store manager knows his store, his customers, his community, better than anyone. What this localizing of decision making does is to bring out this sensitivity, more strongly than ever.

This in time helps the group spirit tremendously. Department and sales managers have a piece of the decision making – and this will bring out the pride in almost anyone. They pass it down to the clerical level as well. And Bud feels he now knows the abilities of his people to a greater degree, through the collective decision making process.

As the lines of communication and command between store and headquarters are shortened, the store gets faster response to queries, problems and requests for advice. "And there have been questions," he admits, on adjusting personnel to peak customer flow, on check-out procedures, maintenance, relations with shopping center tenants, and accounting procedures.

But in general, results are excellent. Sales are up significantly, especially for the half year of what Bud calls the "Super Store" operation. Problems remain in training, education, new methods of dealing with old problems. But the start is a good one.

Ernie Robertson shares with Bud Whitman a deep down enthusiasm toward seeing a store *click*. Manager of the Supermarket Division's high volume Brockton, Mass. store, Ernie had a 32-year, multi-store background, including zone merchandising and personnel work, to call upon when management included him in a 12-store pilot program very much like Bradlees'. The goal: redefine the store manager as *Resident Store Supervisor,* basically responsible for sales, profits, and personnel development.

"Before last year, I'd have supervisory people here at least weekly – zone managers, meat, produce and grocery merchandisers. Their jobs involved store visits, to assess payrolls, neatness, security, and condition of merchandise. What we're doing here at store level now is simply taking much more responsibility for these same functions. Some of these people are now store managers themselves; some are on call as 'technical consultants,' with more time to assist problem stores.

"I see this helping the whole Division in several ways – my department managers have all the responsibility they can handle. They, and I, are forced to see the store in a more complete light. Too, there is an immediate closer relationship with headquarters. For instance, we need information right at store level, on factors that continuously change, i.e., our buying practices, new consumer innovations, personnel benefits, security procedures.

"Now *we* check our competitors' stores for prices and merchandising practices, instead of having supervisory people do it. We apply our own ideas to improve the store's image – for instance I've had signs printed up which refer to this specific community; and we've strengthened our policies on wearing name badges, clean uniforms, and making a strong effort at keeping the store spotless – *because we want to.*

"There will be other advantages – we already have a new awareness of specific characteristics of our Brockton community. You get to know your customers when you study things like per capita income, the unemployment situation, ethnic patterns, local industry, and urban redevelopment. This wasn't our primary concern before now."

Ernie is making community contact a two way street – he's gathered a selected group of local women together at the store several times for a round table discussion of shoppers' and retailers' problems and challenges.

All in all, a total involvement approach, for both Stop & Shop and Bradlees. As Ernie puts it, "When they tell you *you're* responsible, it means you have a chance to have *your* efforts more clearly measured. Of course, you're vulnerable, in that there's no one between you and headquarters to share the rap, should problems arise.

"But aren't you really just as vulnerable in any job that's worthwhile?"

That's the attitude of Today's Store Manager.

CONSOLIDATED TEN-YEAR FINANCIAL SUMMARY

Fiscal Year Ended		1/30/71	1/31/70
Sales		$789,949,863	720,477,623
Earnings: Pretax operating earnings	$	10,052,357	14,122,910
Net operating earnings	$	5,637,456	7,445,250
Extraordinary item, net of applicable income taxes	$	—	—
Total net earnings	$	5,637,456	7,445,250
Reinvested in the business	$	2,818,911	4,691,340
% of operating earnings to sales		.71%	1.03%
Per share of common stock based on average number of shares outstanding during the year:			
Net operating earnings	$	1.80	2.40
Total net earnings	$	1.80	2.40
Cash dividends paid	$	2,818,545	2,753,910
Cash dividends per share of common stock	$	.90	.90
Stock distributions		—	—
Current assets	$	91,899,947	87,262,701
Current liabilities	$	41,841,307	54,294,188
Working capital	$	50,058,640	32,968,513
Current ratio		2.20	1.61
Total assets		$200,638,036	188,304,641
Retained earnings	$	44,696,202	41,877,291
Shareholders' equity	$	62,149,810	59,251,030
Number of shares outstanding less shares held in treasury at end of each fiscal year		3,133,965	3,129,198
Stop & Shop Supermarkets:			
Opened and acquired		16	4
Closed		6	3
In operation at year end		149	139
Bradlees Department Stores:			
Opened and acquired		1	1
Closed		—	3
In operation at year end		51	50
Medi-Mart Drug Stores:			
Opened		7	3
In operation at year end		13	6
Perkins Tobacco Shops:			
Opened and acquired		7	21
In operation at year end		28	21
FunStop Leisure Time Stores:			
Opened		1	—

*In July 1966, the fiscal year end of the Company was changed to the Saturday nearest January 31 from the Saturday nearest June 30.

**Includes $0.59 extraordinary item.

†53 Weeks

2/1/69†	1/27/68	1/28/67*	7/2/66	7/3/65†	6/27/64	6/29/63	6/30/62
654,822,234	566,361,363	507,506,165	469,850,327	423,172,518	391,417,860	337,684,888	306,305,759
11,810,965	9,644,775	8,243,452	5,788,519	8,867,361	8,177,453	6,772,327	6,791,391
6,735,813	6,112,722	5,456,229	3,463,367	5,254,054	4,907,277	4,034,883	3,887,383
—	1,773,243	—	—	—	—	—	—
6,735,813	7,885,965	5,456,229	3,463,367	5,254,054	4,907,277	4,034,883	3,887,383
4,001,349	5,390,852	3,036,738	1,180,404	3,579,384	3,733,802	2,895,527	2,785,433
1.03%	1.08%	1.08%	.74%	1.24%	1.25%	1.19%	1.27%
2.22	2.02	1.80	1.14	1.72	1.61	1.33	1.28
2.22	**2.61	1.80	1.14	1.72	1.61	1.33	1.28
2,734,464	2,495,113	2,419,491	2,282,963	1,674,670	1,173,475	1,139,356	1,101,950
.90	.82½	.80	.75	.55	.40	.40	.40
—	—	—	—	3%	3%	3%	3%
67,700,152	52,830,423	50,777,515	46,299,775	41,296,545	34,976,085	31,745,162	31,196,878
35,224,372	28,114,268	28,732,857	24,900,306	23,487,623	19,383,393	17,864,400	16,239,347
32,475,780	24,716,155	22,044,658	21,399,469	17,808,922	15,592,692	13,880,762	14,957,531
1.92	1.88	1.77	1.86	1.76	1.80	1.78	1.92
158,431,540	133,028,205	124,991,817	120,745,085	112,824,425	105,395,004	101,944,837	97,260,036
36,824,902	32,823,553	27,432,701	24,973,070	23,792,666	21,830,996	19,791,075	18,739,405
53,040,214	48,658,948	43,254,148	40,794,517	40,452,686	36,801,498	33,106,337	30,180,731
3,047,512	3,025,229	3,024,364	3,024,364	3,069,564	2,955,336	2,870,502	2,783,367
9	8	5	4	2	4	14	18
5	9	10	6	4	4	9	11
138	134	135	139	141	143	143	138
6	7	5	7	7	6	7	4
—	—	2	1	—	—	—	—
52	46	39	36	30	23	17	10
3	—	—	—	—	—	—	—
3	—	—	—	—	—	—	—
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—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—

THE STOP & SHOP COMPANIES, INC. AND SUBSIDIARIES CONSOLIDATED BALANCE SHEET

Assets	January 30, 1971	January 31, 1970
Current assets:		
Cash	$ 5,778,800	$ 5,376,299
Marketable securities at cost approximating market	7,335,961	200,000
Accounts receivable	5,126,937	4,061,584
Insurance claims for fire loss, inventory and business interruption (Note 5)	8,110,918	15,344,758
Receivable from mortgagees for construction costs covered by executed mortgage agreements and from real estate affiliates	2,419,583	1,802,007
Inventories, at the lower of cost or market	60,613,058	58,624,461
Prepaid expenses	2,514,690	1,853,592
Total current assets	91,899,947	87,262,701
Fixed assets, at cost (Note 10):		
Land, buildings and improvements	85,017,866	79,704,437
Fixtures, machinery and equipment	64,075,121	56,585,365
	149,092,987	136,289,802
Less accumulated depreciation and amortization	54,173,742	47,727,369
	94,919,245	88,562,433
Leasehold improvements, at cost less accumulated amortization	8,800,505	7,752,368
Net fixed assets	103,719,750	96,314,801
Book value of fixed assets affected by fire (Note 5)	2,725,110	2,725,110
Other assets:		
Notes receivable, etc. at cost	1,276,551	1,322,927
Deferred charges	1,016,678	679,102
Total other assets	2,293,229	2,002,029
	$200,638,036	$188,304,641

See accompanying notes to financial statements

Liabilities and Stockholders' Equity	January 30, 1971	January 31, 1970
Current liabilities:		
Current portion of long-term debt	$ 3,664,579	$ 3,796,434
Accounts payable	26,951,055	40,904,288
Accrued expenses	6,791,966	6,989,764
Federal income taxes	4,433,707	2,603,702
Total current liabilities	41,841,307	54,294,188
Notes payable, temporary borrowings	—	4,000,000
Deferred federal income taxes	5,615,707	4,798,884
Due prior licensee for assets acquired	280,334	563,330
Long-term debt (Note 3):		
Mortgage notes payable	45,950,878	39,297,209
Other notes payable	44,800,000	26,100,000
Total long-term debt	90,750,878	65,397,209
Stockholders' equity:		
Preferred stock. Authorized 500,000 shares. None issued or outstanding.	—	—
Common stock of $1 par value per share. Authorized 7,500,000 shares.		
Issued 3,194,264 shares (1970, 3,189,497 shares) (Note 4)	3,194,264	3,189,497
Capital in excess of par value of capital stock (Note 7)	15,566,328	15,491,226
Retained earnings (Note 3)	44,696,202	41,877,291
	63,456,794	60,558,014
Less cost of 60,299 shares in Treasury	1,306,984	1,306,984
Total stockholders' equity	62,149,810	59,251,030
	$200,638,036	$188,304,641

CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS

	52 Weeks Ended	
	January 30, 1971	January 31, 1970
Retail sales	$789,949,863	$720,477,623
Cost and expenses (Note 5):		
Cost of goods sold, buying and warehousing costs	624,973,777	570,819,006
Selling, store operating and administrative expenses	139,743,868	122,610,452
Depreciation and amortization (Note 10)	9,419,223	8,930,662
Interest on mortgages	2,361,179	2,372,649
Other interest (net)	3,399,459	1,621,944
	779,897,506	706,354,713
Earnings before federal income taxes	10,052,357	14,122,910
Federal income taxes (Note 2)	4,414,901	6,677,660
Net earnings (Note 11)	5,637,456	7,445,250
Retained earnings at beginning of year	41,877,291	36,824,902
Amount arising from pooling of interests	—	361,049
	47,514,747	44,631,201
Less cash dividends paid	2,818,545	2,753,910
Retained earnings at end of year	$ 44,696,202	$ 41,877,291
Earnings per share of common stock based on average number of shares outstanding during the year (Notes 5 and 11)	$ 1.80	$ 2.40
Cash dividends per share of common stock	$ .90	$ .90

ACCOUNTANTS' REPORT

PEAT, MARWICK, MITCHELL & CO.
CERTIFIED PUBLIC ACCOUNTANTS
ONE BOSTON PLACE
BOSTON, MASSACHUSETTS 02108

The Board of Directors and Stockholders, The Stop & Shop Companies, Inc.:

We have examined the consolidated balance sheet of The Stop & Shop Companies, Inc. and subsidiaries as of January 30, 1971 and the related statement of earnings and retained earnings and summary of source and use of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, subject to the ultimate realization of the insurance claims for fire loss as described in Note 5 to the financial statements, the above mentioned consolidated financial statements present fairly the financial position of The Stop & Shop Companies, Inc. and subsidiaries at January 30, 1971, the results of their operations and the source and use of funds for the year then ended, in conformity with generally accepted accounting principles which, except for the change in accounting with respect to interest costs as described in Note 11 to the consolidated financial statements, were applied on a basis consistent with that of the preceding year.

March 22, 1971

PEAT, MARWICK, MITCHELL & CO.

See accompanying notes to financial statements

SUMMARY OF SOURCE AND USE OF FUNDS

	52 Weeks Ended January 30, 1971	52 Weeks Ended January 31, 1970
Funds provided:		
Net earnings (Note 11)	$ 5,637,456	$ 7,445,250
Less cash dividends paid	2,818,545	2,753,910
	2,818,911	4,691,340
Increase in deferred federal income taxes	816,823	496,308
Increase in long-term debt	25,353,669	371,596
Notes payable, temporary borrowings	—	4,000,000
Treasury stock transactions	—	510,000
Sale of capital stock	79,869	313,605
Net assets of Perkins acquired for stock	—	695,871
	$29,069,272	$11,078,720
Used as follows:		
Excess of expenditures for fixed assets over depreciation and amortization:		
Expenditures for fixed assets, net	$16,824,172	$19,093,146
Depreciation and amortization	9,419,223	8,930,662
	7,404,949	10,162,484
Increase in other assets	291,200	148,068
Notes payable, temporary borrowings-repayment	4,000,000	—
Due prior licensee for assets acquired	282,996	275,435
Addition to working capital	17,090,127	492,733
	$29,069,272	$11,078,720

NOTES TO FINANCIAL STATEMENTS

1. Principles of Consolidation and Change of Name

During the year the name of the Company was changed from Stop & Shop, Inc. to The Stop & Shop Companies, Inc.

The consolidated financial statements include the accounts for the parent company and all subsidiaries.

2. Federal Taxes Charged to Income are as follows:

	1970	1969
Current	$ 3,730,278	$ 6,641,876
Investment Credit	(132,200)	(460,524)
Deferred	816,823	496.308
	$ 4,414,901	$ 6,677,660

3. Long-Term Debt

Mortgage notes, 4% to 10½ % (weighted average of 7%), maturing at annual rates of approximately $3,300,000 through 1976, at $2,000,000 from 1977 to 1991, and thereafter at smaller varying amounts through 1995.	$45,950,878
Promissory note 7.6% maturing $1,225,000 in 1972, $2,450,000 annually from 1973 to 1988 and the balance payable in 1989.	44,800,000
	$90,750,878

The mortgage notes, although not signed by the Company or its subsidiaries, are secured by land, buildings, and improvements costing approximately $73,837,000 and by assignments of inter-company lease agreements.

Under the terms of the 7.6% Promissory Note, through 1989 working capital must be maintained at $20,000,000 and certain restrictions with respect to payment of cash dividends or purchase or retirement of capital stock are in effect. As of January 30, 1971, approximately $7,100,000 of retained earnings was not so restricted.

4. Stock Options

Options under the Company's new Qualified Plan are granted at 100% of market value at date of grant and expire in five years. Generally, options are exercisable in four equal cumulative annual installments commencing 18 months after grant date.

At January 30, 1971 options to purchase 69,984 shares were outstanding (46,339

Note 4 continues on next page.

Notes to Financial Statements (continued)

presently exercisable) at prices ranging from $15.88 to $34.00 per share.

Outstanding options include options to purchase 188 shares under the old Restricted Plan granted at 95% of market price on the grant date. Changes during the current year are summarized as follows:

	Number of Shares	
	Issuable Under Options Granted	Available for Option
Balance at beginning of year	78,026	23,122
Additional authorized	—	—
Exercised at prices ranging from $15.88 to $19.00 per share- total $79,869 (Total market value on dates exercised- $124,525)	(4,767)	—
Options granted	1,500	(1,500)
Cancellations and expirations	(4,775)	4,775
Balance at end of year	69,984	26,397

The number of shares under options at January 30, 1971 and related prices per share have been adjusted for stock dividends and stock splits.

5. Insurance Claims

On August 5, 1969 the Company's principal grocery distribution warehouse, located at Readville, Massachusetts, together with its related operating equipment and inventory contents was destroyed by fire. At the time of such fire the Company had in effect a program of insurance providing coverage for property damage and business interruption loss up to $30,000,000 with respect to such location.

The insurance claim for the loss of the building and related equipment is based on replacement cost. Pending the resolution and ultimate adjustment of such claim, the book value of such assets at the date of the fire is shown separately in the balance sheet as of January 30, 1971. Any significant difference between the book value of such assets and the amount of ultimate adjustment may eventually be shown, net of related taxes, as an extraordinary item in the Company's statement of earnings.

With respect to the other items, as of January 30, 1971 the Company has accrued claims aggregating $24,090,000 for the loss of the inventory destroyed by the fire approximating the book value thereof, for debris removal and other related incidental expenses at their costs, and a business interruption claim for loss of related profits from the date of the fire based upon management's estimate as to the amount of the loss. The claim for these same items as of January 31, 1970 amounted in the aggregate to $15,345,000.

The amount of the inventory claim has been credited against the book inventory at the date of the fire. The claim for debris removal and other related incidental expenses offsets such charges, and the business interruption claim, totaling $16,291,000 through January 30, 1971, has been credited against costs and expenses, $7,588,000 applicable to 1969 and $8,703,000 to 1970.

Against the $24,090,000 mentioned above, as of January 30, 1971 the Company had applied payments on account aggregating $15,979,000 leaving a net receivable with respect to such items of $8,111,000. Of the $15,979,000 received, $13,370,000 has been paid absolutely and the remaining $2,609,000 has been advanced by certain insurers, pending the ultimate determination of the amount of certain of the Company's claims and of the responsibility of various of the insurers among themselves for portions of such claims. Subsequent to the close of the year the Company has received additional payments aggregating $934,000 of which $434,000 has been paid absolutely and the remaining $500,000 has been advanced by an insurer pending the ultimate determination of the amounts of certain of the Company's claim.

As explained above, the Company has not concluded settlement of its insurance claims arising from such fire, and the amounts accrued, in excess of the $13,804,000 paid absolutely to the Company, are subject to adjustment. Based upon the opinion of counsel, the Company believes that the various insurance policies relating to such fire losses provide coverage for the claims accrued.

6. Rental Commitments

At January 30, 1971 the total minimum annual rentals payable to outsiders by the Company and its subsidiaries under leases amount to approximately $11,300,000 exclusive of real estate taxes, other expenses and additional rents based on percentage of sales. Of the minimum annual rental commitment approximately 59% related to leases expiring within fifteen years and approximately 93% to leases expiring within twenty years.

In 1968 the Company contracted with the City of Marlborough, Massachusetts for the lease of a meat processing and packaging plant to be constructed by the City from the proceeds of an issue of $10,000,000 of Industrial Revenue Bonds. The lease expires in 1998 and annual rentals will approximate $700,000. Stop & Shop has the right to terminate the lease prior to the expiration date and purchase the facility at a price determined principally by the amount required to enable the City to redeem the outstanding Bonds.

It is the intention of the Company when construction of the facility is completed to record the facility on its books as land and buildings and capitalize the related cost as long-term debt.

7. Capital in Excess of Par Value of Capital Stock

	1970	1969
Balance at beginning of year	$15,491,226	$14,703,485
Add:		
Excess over par value of proceeds from sale of capital stock to employees under stock option plans	75,102	295,519
Credit resulting from exchange of shares of The Stop & Shop Companies, Inc. for the capital stock of acquired company	—	288,222
Excess of market value over cost from treasury stock transactions	—	204,000
Balance at end of year	$15,566,328	$15,491,226

8. Retirement Plan

The Company's non-contributory retirement plan is available to all employees meeting age and minimum length of service requirements other than certain union employees covered by union-sponsored plans. During 1970 additional employees transferred to such union-sponsored plans. The Company's policy is to fund retirement costs accrued, which in the current year amounted to approximately $335,000. As of January 30, 1971 total plan assets were more than sufficient to cover all vested benefit liabilities.

9. Wholly-Owned Realty Subsidiaries — Combined Balance Sheets

	January 30, 1971	January 31, 1970
Assets:		
Cash and receivables	$ 498,122	$ 1,276,546
Due from parent company	9,743,497	4,060,349
Fixed assets at cost.		
Land, buildings and improvements	73,837,189	69,197,840
Less accumulated depreciation and amortization	19,062,436	18,132,489
	54,774,753	51,065,351
Book value of fixed assets affected by fire (Note 5)	2,023,282	2,023,282
Other assets	513,674	524,996
	$67,553,328	$58,950,524
Liabilities:		
Current installments of long-term debt	$ 3,384,244	$ 3,516,098
Accounts payable and accrued expenses	1,107,180	1,242,013
Deferred federal income taxes	2,242,869	1,859,546
Long-term debt, less current installments above (Note 3)	45,950,878	39,297,209
Parent company's equity:		
Capital stock	63,820	63,820
Retained earnings	14,804,337	12,971,838
	$67,553,328	$58,950,524

10. Depreciation and Amortization Policies

Depreciation of fixed assets is computed on the straight-line method at rates which are sufficient to amortize the costs over their estimated useful lives:

Buildings	20 to 40 years
Equipment and fixtures	3 to 15 years
Automotive equipment	4 years

Cost of leasehold improvements is amortized on the straight-line method over periods of 10 to 15 years, or the life of the lease, if shorter.

For federal income tax purposes, accelerated methods of computing depreciation are used wherever applicable. Accordingly, provision has been made currently for deferred federal income taxes.

11. Capitalization of Interest During Construction

The Company's planned expansion program has involved and will involve substantial investment in construction of new warehouses and stores. The material significance of the program, both in overall scope and size of individual units has caused management to recognize the alternative generally accepted accounting principle for the current and future years of capitalizing interest during construction of facilities. The effect of this change was to increase current year's net income by approximately $160,000, equivalent to five cents per share of common stock.

RESEARCH

With a wide range of investment possibilities each year, The Stop & Shop Companies turned some 30 years ago to research as a means of complementing management in choosing among investment alternatives.

Founded by Chairman Sidney R. Rabb, the Research Department was initially directed by William Applebaum, noted food distribution expert and still a director of Stop & Shop.

Among the first units of its kind in the food retailing industry, Research made its initial contributions in evaluating the long range profitability of proposed store locations. *Location Research* evolved as an invaluable aid to the Company's expansion effort, providing management with guidance in making more precise evaluations of new supermarket locations.

Research techniques have been continuously refined; today statistics on existing and potential retailing competition, demographic data from periodic census tabulations, population density, per capita income, community growth patterns, and urban development plans, – all of which can influence new store performance – are assimilated for management use. The Location Research unit includes members with sociology, business administration, geography, marketing and advertising research backgrounds.

With corporate growth came an increasing sensitivity to the shopper's wants and preferences. *Marketing Research* probed more deeply into consumer attitudes toward stores, products, and merchandising policies.

Today's Marketing Research unit includes a professional staff with diverse backgrounds – and acquired talents beyond the expected analytical skills. They assess statistics and trends within the industry, and from the mass media, social agencies, and frequent consumer polling procedures. In this way a continuing assessment is made of long range merchandising programs, such as mini-pricing®; and consumer conveniences such as unit pricing, freshness coding, and a myriad of new-to-the-market products.

The unit's Product Evaluation Panel, for instance – a random sample of 200 employees – home tests Stop & Shop brand merchandise from marinated meats to muffins. Panel members are given unlabeled products – they could be either the Company's or a national brand – and asked for their qualitative opinions. This takes food testing beyond chemical and physical analyses which are performed by the Company's Bureau of Standards, and into the more subtle measurements of personal preference and subjective reaction. These testing procedures have ensured that we offer to our customers top quality private-label products, which compete successfully with national brands.

More recently Research has taken on a third dimension at Stop & Shop: *Operations Research,* or the application of mathematical problem solving techniques to a wide range of business problems.

The Department's newest unit is charged with simulating statistical theoretical problems, and alternative solutions within the areas of distribution, warehousing, transportation, budgeting and cash flow operations.

Possible future changes in quarterly or periodic budgets can be more accurately pre-tested, to save accounting department time. Different sales plans for each division of the Company can be tested by simulation, making the choice of most effective promotional strategy easier. And overall corporate planning models are now being developed and computerized to permit management to compare a wide range of coordinated investment strategies and marketing choices.

Planning activities took on a more formal dimension this past year with the organization of a senior and middle management corporate planning team, and a newly assigned full time corporate planning director. He will draw on the balanced support of each Research unit in working with senior management to determine long range objectives.

In short, retailing expertise provides the forward motion of The Stop & Shop Companies; Research, by continuously expanding its functions and scope as we grow and change, ensures the right direction for this growth.

CONSUMERS' REPORT

Assignment: to build on an established reputation as a Company first with useful programs to aid the average shopper; and to show by example how the retailing industry can replace sounds with specific programs.

Not as easy as it seems – in a year of rising government pressures, retailers' reactions, and general confusing clamor over the mushrooming phenomenon known as "consumerism."

At such a time, the potential for skepticism is high. And the need for simple, solid, imaginative programs was never greater. The Company showed how it could help, in several ways:

Consumer Boards of Directors. Stop & Shop's Consumer Boards of Directors gained momentum during the year. Meetings were held every six weeks of the year in Boston, Mass.; and quarterly in New City, N.Y.; Wayne, and South Plainfield, N.J. Together the selected women represent a broad cross section of ethnic, professional and income groups, functioning as an effective sounding board for corporate guidance. Chief executives of several major Stop & Shop suppliers participated at meetings during the year. At year's end, plans were completed for a Rhode Island Consumer Board.

De-coding codes. Stop & Shop became first in the Northeast to publicize its store employee freshness code information on fresh meats, branded meats, dairy, bakery, and other perishable products, with pocket-sized customer booklets available in all its supermarkets.

Public service television. A 30-minute prime time TV Consumers' Quiz for viewers with Better Business Bureau supplied cases involving consumers' and retailers' rights and responsibilities. Exposure: half a million eastern Mass. homes. Reaction: a collective, resounding "Thank you." Plans: further showings in other major communities.

Quality Insurance. Bradlees screened thousands of products in rigorous laboratory-controlled tests by an independent testing firm, to insure comparable-to-brand-name quality before purchase for sale.

Meat demonstrations. More than 100 demonstrations were given to social and civic groups; each time, consumers received advice on purchasing, preparing, cooking meats, along with on-the-scene instructions, using actual beef and poultry samples. An extra effort from our store management people – with extra returns.

Teach-Ins for better health. We sponsored programs on nutrition awareness on college campuses in four states, stressing practical use of nutrition information, as a special contribution to the National Association of Food Chains' Nutrition Awareness program.

Special Projects. Consumer education programs were given to women's groups, student groups and Stop & Shop's junior management level personnel. The Company sponsored circulation of 30-minute educational films on the food industry to schools and women's group audiences; and we underwrote the cost for, and distributed, literature to customers – such as the U. S. Department of Agriculture's "How to Buy . . ." food product series, the Martha Logan Meat Handi-Book, and related materials.

Speaking out. The Company's Director of Consumer Affairs, Mrs. Millicent Snow, spoke to more than a dozen consumer or student groups during the year, appeared on radio talk shows and was featured in several consumer education newspaper interviews.

Hotline. During the year a series of recorded telephone messages were prepared to allow customers to learn at once of best food buys, unadvertised bargains, and unexpectedly good prices because of crop abundance, etc. The direct line to Stop & Shop headquarters – to be changed twice weekly – was set up to encourage customers to "shop smarter," become more informed, and be more judicious with their food dollar.

Community classrooms. During the year the Company stepped up its effort with Seventeen Magazine to invite students and teachers to tour local Stop & Shop supermarkets as part of their consumer-related classes. The groups get a first hand glance at meat preparation, modern inventory and sanitation methods, and are provided with resource materials.

Special market radio. During the year work began on special radio spot announcements on meat selection, government grading, labeling, packaging, suggested menus, and instructions for securing USDA-sponsored food guides. The special "spots" were aired to a predominantly black listening audience throughout metropolitan Boston. More are planned.

Mini Boards. To add flexibility and greater mutual usefulness to the principle of these face-to-face consumer meetings, "mini" boards were established at Framingham, Mass., Manchester, N.H., and Milford, Mass. At each meeting, a local Stop & Shop manager, as host, sounds out local shoppers on local problems and suggestions. Boston Consumer Board members assist in planning.

Unit pricing. Prompted by a clearly positive response to a Massachusetts Stop & Shop customer poll, early in 1970 the Company began implementation of a massive unit pricing program in all supermarkets for more than 4500 of its average 8000 items per store – a logistical nightmare without the aid of the Company's computers and management expertise to coordinate with existing pricing mechanisms. A subsequently passed Massachusetts law specified mandatory unit pricing in the Commonwealth as of January 1971.

In the works are additional programs, to inform the shopper more clearly about nutritional values, caloric content, the nature of quality control, and pending consumer legislation. Chairman Sidney R. Rabb has stated that "Consumerism is, above all, good business." Programs based on honesty, and spirited along with the pride of continuing leadership, will prove the statement again in the year ahead.

MEDI MART

Medi Mart, the 13-unit drug store Division operating in New York, New Jersey and Connecticut, focused upon consumerism during 1970.

Medi Mart Vice President H. Sumner Hatch reports that while the consumer public has responded favorably to the stores' unique product mix, prescription drugs continue to lead all other categories in growth. Repeat prescription sales – a sensitive barometer for community acceptance – are especially strong in mature stores.

Since its inception three years ago, Medi Mart has filled over 400,000 prescriptions – a dramatic public endorsement of Medi Mart's policy of offering prescription drugs at reasonable prices.

Hatch reports that this sharply competitive pricing of pharmaceutical items has proved prophetic as well as profitable; there are legislative moves underway in all of the states where the chain currently operates, to reduce drug costs to the consumer. One of the proposals, he reports, would oblige retailers to post the retail price of the most frequently purchased drugs. Another would permit drug stores to advertise prescription prices. And a third would require labeling of prescriptions so that the consumer could shop for the best price.

"There is a need for increasing awareness of these issues within the industry, as well as at customer level," asserts Hatch. "As the costs of every aspect of medical care increase, we see a growing opportunity for Medi Mart to play a responsive, important role in the consumer movement."

Increasing expansion of the stores' private label line – the Medi Mart brand currently on 85 items, including drugs, health and beauty aids, and paper goods – is yet another way in which the division hopes to be able to give the consumer top quality products at low prices. This is also a plain, old fashioned good merchandising technique, borrowing on the techniques used for years by other Company divisions.

While the overall "tight money" situation slowed expansion somewhat during 1970, Medi Mart expects to open five to seven more stores during the coming year. 1971 should mark Medi Mart's entry into the Massachusetts retail drug market, while main efforts will continue to be concentrated in the increasingly active areas of Connecticut and New Jersey.

FASHION

"Fashion." Take another look at the word; and put your finger on the pulse of Bradlees' growth direction in the coming decade.

Style lives in pots and pans. Tennis racquets. Stuffed pandas. Bicycles and braided belts, and eye popping clothes with quality to outlast a sometimes fleeting life span.

In fashion, Bradlees sees the key to growth in *all* lines of merchandise, and last year designed an all-new store, more suited to its plans in coming years. The first example of this new direction opened in March, in Fall River, Mass. – one hundred thousand square feet of upbeat color, recessed ceilings, and wider aisles. The store has the look, atmosphere, and range of merchandise to back up the clear intent: to offer the best quality, the very latest fashions, as outstanding values.

Today, of course, fashion connotes a tumultuous whirl of changing trends; some transitory, some basic; all colorful, daring, bold, exciting.

To insure a position at the leading edge of fashion change, in 1970 Bradlees strengthened its softlines expertise with major enlargement of its New York City Office. Here, on Seventh Avenue, decisions are made which influence many of the country's fashion trends a year and more ahead of colorful reality. Bradlees buyers literally cover the world – from Europe and the Mediterranean countries to Hong Kong – to procure top quality clothing for the 52 store chain.

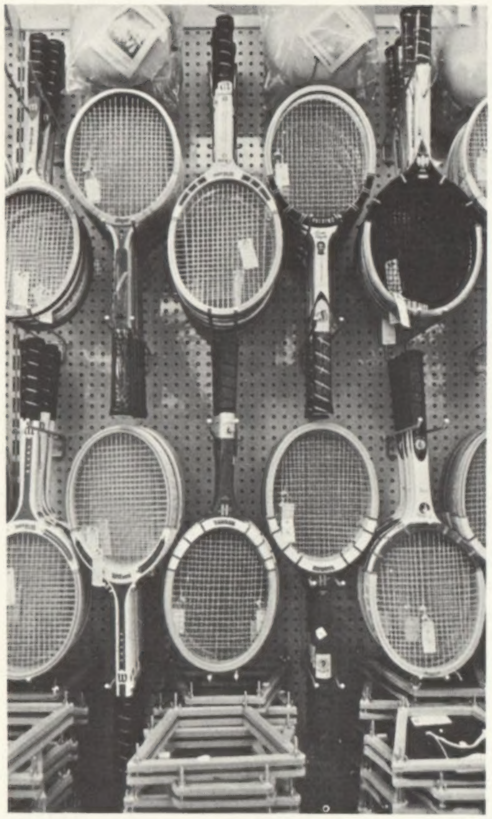
For 1970 fashion was pants suits; the wet look; maxi's; vinyl boots, and wide, vibrant neckties. Today, The Pioneer Woman – prairie skirts, blouses, flowered challis skirts, and the print explosion; imported knitted fabrics for easy care. Hot pants. Men's shirts to make the ladies' pale. Tomorrow . . .?

Wherever the In thing's in, men's, children's, women's departments, half sizes, junior or maternity shops, Bradlees' new emphasis balances *best* quality and *now* fashion – with a significant price advantage. An independent testing laboratory constantly counts numbers of stitches per square inch in dress fabrics . . . measures the tensile strength, washability and flammability of clothing fibers . . . and management sees that finished merchandise is test worn on people to insure that intangibles – fit, feel, tailoring – measure up to the same exacting standards.

Today's customer wants clothes fluid, flexible, action-oriented, comfortable. Above all she – and he – want to be able to rely on honest value, and to be able to respond to tomorrow's changes without financial strain.

With a growing effort to present the best of three worlds – fashion, quality, price – Bradlees, even more than in the past, is going to help them do just that.

FUNSTOP



FunStop, the "good time store" Division, was greeted with enthusiasm when it opened its first toy and leisure products store at West Springfield, Mass. in September 1970.

Within a 22,500 square foot selling area (largest in the East for this kind of store), FunStop concentrates a unique department mix under one roof: sports equipment and camping gear; bicycles; hobbies, crafts and science needs; toys, dolls, carriages, books and records; and a full line of juvenile furniture. The colorful array is quite at home in a bright new mod interior decor for the seventies.

Vice President Anast W. Giokas, who directed development of FunStop, points out that a specialty store of these proportions demands diversified, top level experience on the part of its growing management staff. The first FunStop manager, for instance, is a qualified ski instructor, golfer, swimmer, and excels in many sports, to balance a background as a sporting goods buyer for a major Cleveland, Ohio department store.

"Since FunStop is unique — the first store of its kind, we had no standard of comparison," Giokas reports. In spite of the generally discouraging economic climate during 1970, FunStop has had a favorable sales performance for each month since opening.

"FunStop" is not yet a household word. But that's the long range plan – and for openers, the Division plans construction of FunStops in the near future in Waterbury and Danbury, Conn. and another store at Springdale Mall, Springfield, Mass., where the Company is constructing a Bradlees-Stop & Shop-Medi Mart-FunStop complex.

PERKINS

This past year was Perkins' first as a division of The Stop & Shop Companies. It was also the most successful earning period ever, in the firm's 109-year history.

Perkins' transition from a century-old independent New England specialty firm to a clearly defined arm of a modern diversified corporation was accomplished quickly and efficiently.

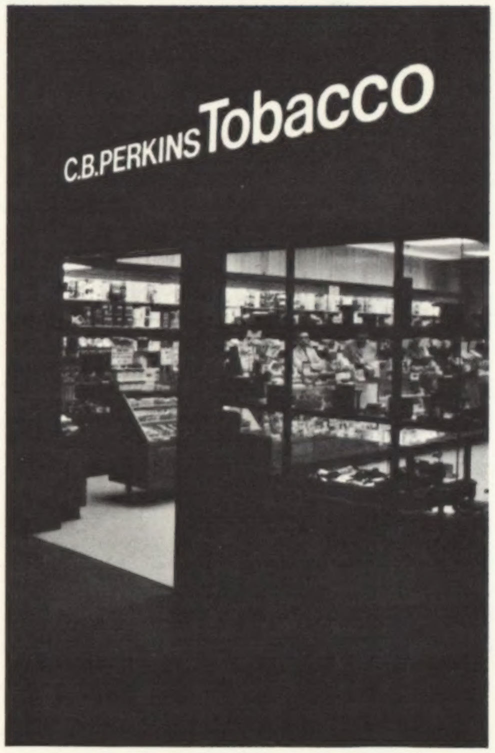
Seven new Perkins Tobacco Shops were built, bringing the total number of units to 28. During the year the Company entered several highly competitive marketing areas in Connecticut, and created four of the most complete in-store tobacco departments in the country within Bradlees Department Stores.

Three freestanding mall stores were built in Dedham and Hyannis, Mass. and Warwick, R.I. The Dedham and Warwick stores, reports Perkins President Robert J. Levin, represent the prototypical Perkins store of the 70's. Twenty per cent larger than their predecessors, they feature an extensive line of gifts and accessories for men, such as leather goods, bar utensils, and games.

The expansion of Perkins' product lines to include items for non-smokers should increase the Division's profits considerably over the next year, Levin predicts.

Perkins' positive approach is evident in a look at 1971 plans. The Company plans to have some thirty-five units operating by the end of the year. Two additional Bradlees boutiques – one in Fall River, the other in Springfield – are expected to open late in '71; three additional major mall-type stores are planned for Worcester, Danvers, and Portland, Me.; while two mall stores will be constructed in Enfield Square and Meriden Square, Conn.

Levin's forecast for steady upward growth during the coming year is bolstered by the fact that other Stop & Shop Companies have already profited from their association with Perkins during 1970; tobacco products are more readily available and reasonably priced than ever before, and customers – in both supermarkets and Bradlees – show a preference for Perkins blends over other blends.



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Financial Vice President and Treasurer
Donald A. Gannon
President
Avram J. Goldberg
Executive Vice President
Donald J. Hurley
Partner, Goodwin, Proctor & Hoar
Irving W. Rabb
Vice Chairman of the Board and Chairman, Executive Committee
Norman S. Rabb
Retired Senior Vice President and Vice Chairman of the Board
Sidney R. Rabb
Chairman of the Board and Chief Executive Officer
Sidney L. Solomon
Director, Member of the Executive Committee, Federated Department Stores, Inc.
Lloyd D. Tarlin
Senior Vice President
William W. Wolbach
President, The Boston Company, Chairman of the Board, Boston Safe Deposit and Trust Company

The Stop & Shop Companies Inc.
Sidney R. Rabb, Chairman of the Board and Chief Executive Officer*
Irving W. Rabb, Vice Chairman of the Board and Chairman, Executive Committee*
Donald A. Gannon, President*
Avram J. Goldberg, Executive Vice President*
Lloyd D. Tarlin, Senior Vice President*
Albert S. Frager, Financial Vice President and Treasurer*
Frank S. Crowley, Vice President, Real Estate
Anthony DiNardo, Vice President, Personnel and Marketing Services
J. David Fine, Vice President, Labor Relations
Harold E. Fine, Vice President, Engineering and Construction*
Paul C. Kelly, Vice President, Administration
Joseph L. Riemer, Jr., Vice President, Technical Services
Bernard Solomon, Vice President, Civic, Government and Community Affairs
Louis P. Steinberg, Vice President, Advertising, Design and Sales Promotion
Norman C. Peterson, Controller*
Arthur S. Robbins, Assistant Financial Vice President and Assistant Treasurer*
Donald J. Hurley, Clerk*

Stop & Shop Supermarkets
Richard F. Spears, Vice President*
Robert E. Bidwell, General Manager, Boston
Charles R. Carroll, Jr., Vice President, New York-New Jersey*
Spyros A. Gavris, Vice President, Perishables
Anast W. Giokas, Vice President, Sales
Sidney L. Goldstein, Vice President, Connecticut
Ralph J. Lordi, Vice President, Groceries
Donald W. Stowbridge, Vice President, Stores Operations

Manufacturing and Quality Control
Arthur Norris, Vice President*
William Tully, Director of Manufacturing Operations

Bradlees Department Stores
Robert J. Futoran, President
Raymond Doyle, Vice President and Merchandise Controller
Carol R. Goldberg, Vice President and Market Manager, North New England
Robert L. Harrow, Vice President, Store Management
Robert M. Pliner, Vice President and General Merchandise Manager
Sylvia P. Shaine, Vice President and General Merchandise Manager
Richard L. Shuman, Vice President, Sales Promotion

The Harold Hahn Company
Harold H. Hahn, President

Medi Mart Drug Stores
H. Sumner Hatch, Vice President

Charles B. Perkins Tobacco Shops
Robert J. Levin, President

FunStop Toy Stores
Anthony McAlear, General Manager

E. L. Nason Co. Inc. and Fargo Potato Company
Philip Lane, General Manager

*Corporate Officer

Annual Meeting:
May 25, 1971 at 1:30 P.M. at the Company's offices, 393 D Street, Boston

Transfer Agents:
The First National Bank of Boston
Bankers Trust Company of New York
Registrars:
The National Shawmut Bank of Boston
Morgan Guaranty Trust Company of New York
Auditors:
Peat, Marwick, Mitchell & Co.
General Offices:
393 D Street, Boston, Massachusetts 02210
Shares Traded On:
Boston Stock Exchange and American Stock Exchange

THE STOP & SHOP COMPANIES